

October 2, 1998

IN RE: DOCKET NO. 98-294-C - UNITED TELEPHONE - Price Regulation Plan

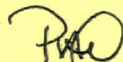
COPY OF TESTIMONY OF C STEVE PARROTT W/EXHIBIT CSP-1
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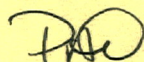
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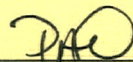
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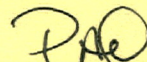
Acting Exec. Director



Manager, Utilities Dept.



Acct. (1)



Research Dept. (1)



Commissioners (7)

pao



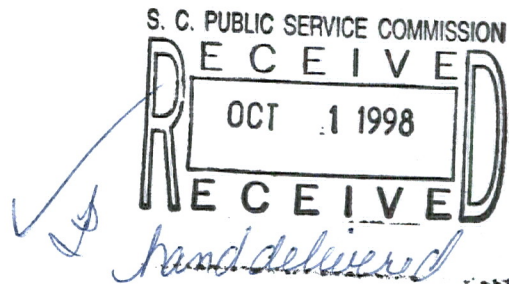
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September 30, 1998

Mr. Gary E. Walsh, Acting Executive Director
Public Service Commission of South Carolina
Post Office Drawer 11649
Columbia, South Carolina 29211



RE: DOCKET NO. 98-294-C

RE: DIRECT TESTIMONY OF C. STEVE PARROTT, WITH EXHIBIT

Dear Mr. Walsh:

Enclosed for filing are the original and 25 copies of the Direct Testimony of C. Steve Parrott, with Exhibit CSP-1, in the above-referenced Docket. Under cover of this letter a copy of Mr. Parrott's Direct Testimony, with Exhibit, is being served upon Counsel for the Consumer Advocate.

Please contact me if there are any questions.

Sincerely yours,

Robert Carl Voigt

RCV:sm

Enclosures

*Jim L. New
DWB C7*

Mr. Gary E. Walsh
September 30, 1998
Page Two

Copy: Mr. Elliott F. Elam, Jr., Staff Attorney ✓
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Mr. Martin H. Bocock, Jr. ✓
Director - Governmental Affairs (S.C.)
Sprint/United Telephone Company of the Carolinas
1122 Lady Street, Suite 1050
Columbia, South Carolina 29201

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MR/10-2-98

S. C. PUBLIC SERVICE COMMISSION
RECEIVED
OCT 1 1998

**DIRECT TESTIMONY
OF
CHARLES S. (STEVE) PARROTT**

S. C. PUBLIC SERVICE COMMISSION
RECEIVED
OCT 02 1998
UTILITIES DEPARTMENT

**BEFORE THE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

ON BEHALF OF
UNITED TELEPHONE COMPANY OF THE CAROLINAS**

DOCKET NO. 98-294-C

OCTOBER 1, 1998

RETURN DATE: OK MR
SERVICE: OK MR

UNITED TELEPHONE COMPANY OF THE CAROLINAS
DIRECT TESTIMONY OF C. STEVE PARROTT
BEFORE THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION
DOCKET NO. 98-294-C
OCTOBER 1, 1998

1 **Q. Please state your name, employer, title and business address.**

2

3 **A. My name is Charles S. (Steve) Parrott. I am employed by Sprint's Mid-Atlantic**
4 **Operations as Director – Regulatory Affairs and I am testifying on behalf of United**
5 **Telephone Company of the Carolinas in this proceeding. My business address is 14111**
6 **Capital Boulevard, Wake Forest, North Carolina 27587-5900.**

7

8 **Q. Please briefly outline your education, training and experience in the telephone**
9 **industry.**

10

11 **A. I hold a Bachelor of Science Degree in Business Administration (Accounting Major) from**
12 **the University of Tennessee at Knoxville and I have twenty-one years of telephony**
13 **experience with Sprint Corporation. After my employment with Sprint's regional local**
14 **exchange company in Bristol, Tennessee in July, 1977 as a staff accountant, I have held**
15 **numerous staff and management positions in the areas of finance/accounting, information**
16 **management services, and regulatory affairs. Management positions include General**
17 **Accounting Manager, Director - Local Revenues, Director - Rate Planning and Rate Case**
18 **Matters, Director - Revenues and Regulatory Matters, Director - Regulatory Affairs**

1 TN/VA and Director - State Regulatory Affairs. On January 1, 1998, I was appointed to
2 my present position of Director - Regulatory Affairs.
3

4 **Q. What are your responsibilities as Director - Regulatory Affairs?**
5

6 **A.** I am directly responsible for all state regulatory matters affecting Sprint's incumbent local
7 telephone operations in North Carolina, South Carolina, Tennessee and Virginia. In this
8 capacity, I am responsible for filing General Subscriber Service and Intrastate Access
9 Service Tariffs with the state utility commissions, the coordination of all state regulatory
10 matters, and I oversee external relations/contract administration with other local exchange
11 companies.
12

13 **Q. Have you previously testified before regulatory agencies?**
14

15 **A.** Yes, I have testified before the North Carolina Utilities Commission, the Public Service
16 Commission of South Carolina, the Tennessee Regulatory Authority (previously the
17 Tennessee Public Service Commission) and the Virginia State Corporation Commission
18 addressing the areas of finance/accounting, rate design, regulatory policy, price regulation
19 plans, rules for local exchange competition and universal service issues.
20

21 **Q. What is the purpose of your testimony?**
22

23 **A.** The purpose of my testimony is to explain the reason behind the filing of United's Price
24 Regulation Plan with the South Carolina Public Service Commission (SCPSC) on June 5,

1 1998. Let me point out one thing that I think is very important, United is not seeking
2 approval to be price regulated in South Carolina-United has been a price regulated
3 company in South Carolina since September 29, 1997. That fact is well-established and
4 is not at issue. In this proceeding, United is merely seeking approval of the
5 administrative guidelines to be followed by the Company under its existing price
6 regulation plan.

7
8 **Q. Mr. Parrott, please give a brief overview of how United became a price regulated**
9 **company in South Carolina.**

10
11 **A.** As you know, United operated under rate of return regulation for many years. By letter
12 to the SCPSC, dated August 29, 1997, United elected to have rates, terms, and conditions
13 determined pursuant to the price regulation plan as set forth in S.C. Code Section 58-9-
14 576(B). Having met the approved local interconnection agreement requirement stated in
15 S.C. Code § 58-9-576(A), United became a price regulated company on September 29,
16 1997.

17
18 **Q. What prompted United to file a formal Price Regulation Plan on June 5, 1998?**

19
20 **A.** United is seeking to accomplish three things with this filing. First, although being price
21 regulated and having filed tariffs subject to the statutory price regulation guidelines since
22 September 1997, United believes it would benefit the Commission and the Company to
23 set forth the administrative guidelines which apply to United's Price Regulation Plan
24 consistent with S.C. Code § 58-9-576. Second, this Plan is intended to further define the

1 complaint process applicable to the filing and review of United's tariffs. Third, United
2 wishes to reaffirm its status as a "small LEC" as defined in S.C. Code § 58-9-10(14).
3

4 **Q. Does United's Price Regulation Plan vary from the statute?**

5
6 **A.** No, not at all. If anything, our plan reinforces and supplements the statute. In Section 3
7 of the Plan entitled "Filing and Review of Tariffs," United mirrors S.C. Code § 58-9-
8 576(B)(6). Thus, our plan reinforces the code's tariff provision.
9

10 Section 3 also acts to supplement the Code. Here, United's Plan offers substance and
11 detail to the otherwise undefined "complaint process" referred to in S.C. Code §58-9-
12 576(5).
13

14 **Q. Mr. Parrott, please explain how you arrived at the complaint process language.**

15
16 **A.** We looked to precedent. The South Carolina Public Service Commission should
17 recognize the language in United's Plan from their Order No. 96-19 in which the
18 Commission approved as modified BellSouth's complaint process (entitled "Review of
19 Tariffs") as set forth in BellSouth's Consumer Price Protection Plan. United agrees with
20 the Commission that this complaint process, currently in use by BellSouth, represents a
21 fair process and promotes the public interest.
22

23 **Q. Mr. Parrott, please explain the ramifications small LEC status has with respect to**
24 **price regulation.**

1
2 **A.** S.C. Code § 58-9-576(B)(3) and (4) provide that a small LEC, whose prices are below the
3 statewide average local service rate for flat-rated residential and single line business
4 weighted by number of access lines, is exempted from the two-year rate freeze on these
5 services and is not restricted to an inflation-based index once the rate freeze ends.
6

7 **Q.** Mr. Parrott, what evidence do you have to support the assertion that United is a
8 small LEC as defined in S.C. Code § 58-9-10(14)?
9

10 **A.** The South Carolina Code definition of a “small LEC” essentially defers to the definition
11 of a “rural telephone company” as defined in the Telecommunications Act of 1996, 47
12 U.S.C. § 153(37). To gain rural status, a company must meet at least one of the five
13 criteria described in subsections (A) - (D). As stated in Section 1 of the Plan, United
14 submitted a “self-certification” letter in accordance with FCC guidelines articulated in
15 Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order,
16 FCC 97-157 (rel. May 8, 1997), p. 168-169, ¶ 310.
17

18 In the “self-certification” letter, United demonstrates that it meets two of the criteria
19 required by the definition of a “rural telephone company” (copy attached to United’s
20 Price Reg Plan filing June 5, 1998). As a result, by meeting this definition, United meets
21 the definition of a “small LEC” under the South Carolina law. Furthermore, United was
22 treated as a rural telephone company in the recent Universal Service Fund proceeding
23 before this Commission (Docket No. 97-239-C).
24

1 **Q. Mr. Parrott, why do you believe United's rates for residential and single line**
2 **business customers were below the statewide average at the time United entered**
3 **price regulation?**

4
5 The SCPSC Staff calculated statewide average rates for residential and single line
6 business services as of December 31, 1996. It is our understanding that there have been
7 no reductions in the aforementioned categories of services since the SCPSC Staff's
8 calculation and that several Interim LEC Fund participants have increased rates in
9 accordance with the Interim LEC Fund parameters.

10
11 United's rates as of June 30, 1997 were \$14.41 for residential and \$30.99 for single line
12 business services. As clearly documented on the attached Exhibit CSP-1, United's rates
13 were below the statewide average prior to entry into price regulation.

14
15 **Q. Does this conclude your testimony?**

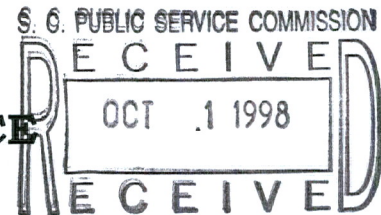
16
17 **A. Yes.**

United Telephone Company of the Carolinas

Comparison of Average Access Line Rates

	<u>Residential</u>	<u>Business</u>
Statewide Average Rates (Per SCPSC Staff)	\$14.86	\$36.56
Information as of December 31, 1996		
United's Access Lines Rates		
Rate Group 1	\$12.99	\$27.86
Rate Group 2	\$14.77	\$31.67
Access Lines by Rate Group		
Rate Group 1	14,171	4,300
Rate Group 2	<u>54,715</u>	<u>19,551</u>
Total	68,886	23,851
Monthly Revenue by Rate Group		
Rate Group 1	\$184,081	\$119,798
Rate Group 2	<u>\$808,141</u>	<u>\$619,180</u>
Total	\$992,222	\$738,978
United's Average Access Line Rate		
Revenue	\$992,222	\$738,978
Access Lines	68,886	23,851
Average Rate	\$14.41	\$30.99
Information as of June 30, 1997		

CERTIFICATE OF SERVICE



I hereby certify that I have served a copy of the Direct Testimony of C. Steve Parrott, with Exhibit, on behalf of United Telephone Company of the Carolinas upon Counsel for the Consumer Advocate by depositing a copy in the United States Mail, first-class postage prepaid, and addressed as follows:

Mr. Elliott F. Elam, Jr., Staff Attorney
South Carolina Department of Consumer Affairs
2801 Devine Street
Post Office Box 5757
Columbia, South Carolina 29250-5757

This 30th day of September, 1998.

A handwritten signature in blue ink that reads "Robert Carl Voigt".

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